

Greenwashing

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Individual Assignment #2

– Green Bundle Strategy

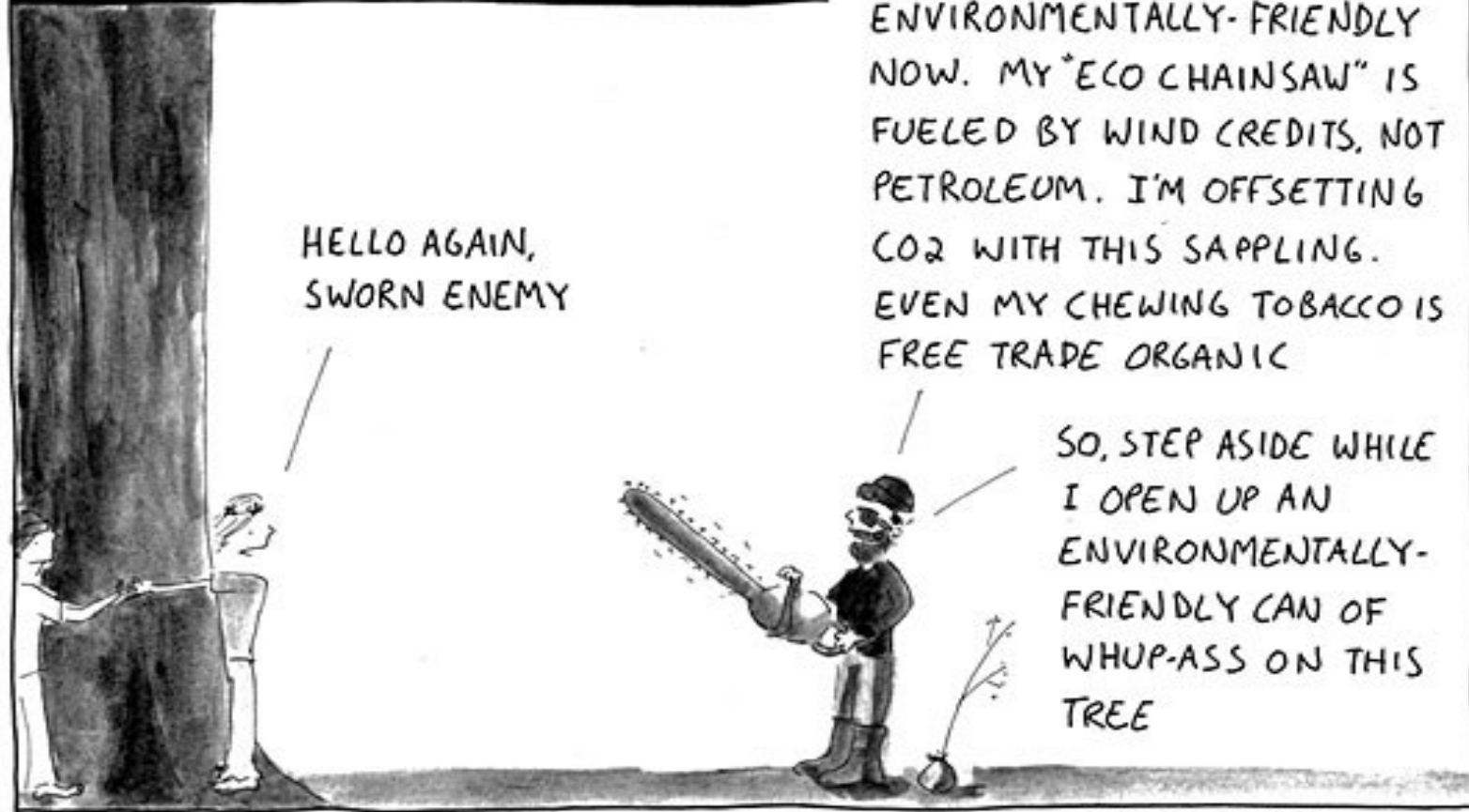
- ▶ Assume you work for a company that is considering applying the Green Bundle Strategy. Pick any company and product you wish and write a detailed proposal (**2 pages**) to your superior outlining how you would implement the Bundle Communication Strategy. Describe how the company could use one of the five distinct paths to promote personal advantages while remaining sustainable, using benefits that often come naturally with environmental goods: quality, status, health, money, and emotion.
- ▶ Identify a product and why you choose to implement the green bundle communication strategy with this product. You could describe how the company is currently marketing this product and the problems that you see with the current marketing strategy. Provide figures from reports and document to substantiate your claim.
- ▶ Describe the target audience of the products that you have chosen.
- ▶ Identify **one of the five co-benefits** of the Green Bundle (Quality, Health, Status Emotion, Money), that you will use in your communication strategy and why you choose that benefit to be paired with this product.
- ▶ Describe how the company should convey the benefit that you have chosen, together with their sustainability message to their target audience. You could describe the medium that they should use (i.e. social media, print media, etc.) and how they should craft their message.
- ▶ Describe potential risks associated with your recommended strategy and how to mitigate them.
- ▶ Describe the expected outcome that the marketing strategy should yield (i.e. product yield, market penetration, etc.)
- ▶ Describe if any other co-benefits of the Green Bundle could complement the benefit you chose or if there are downsides of communicating concurrently about other benefits.
- ▶ Make sure you cite your sources using APA reference format.

Increased Interest in Greenwashing

BRAND CAMP

by Tom Fishburne

THE ART OF GREENWASHING



© 2007

SKYDECK CARTOONS.COM



Welcome to Volkswagen

Volkswagen
TDI Clean Diesel
Event

0.9%
APR
for
60 M

Volkswagen Case

- Equipped 2.0 liter diesel vehicles with illegal software that detects when the car is being tested for compliance with EPA or California emissions standards and turns on full emissions controls only during that testing process
- Settlement has them paying \$10 billion to consumers
 - Either buyback faulty cars or modify emissions system
- \$4.7 billion to mitigate pollution
 - NOx emissions reduction program and tech investments

<https://www.youtube.com/watch?v=CQ4irwe3ZDk>



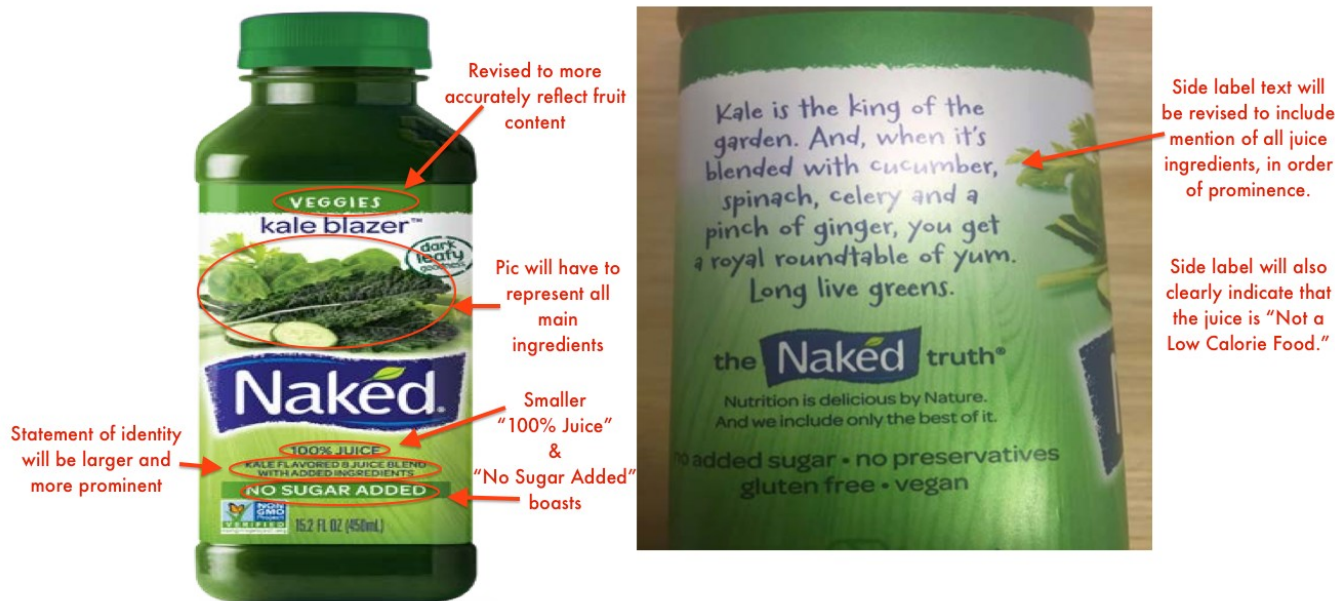
Rayon Textiles Case

- Nordstrom, Bed Bath & Beyond, Backcountry.com, and J.C. Penney all paying fines
- Penalties total \$1.3 million
- Misleading to call bamboo that has been chemically processed into rayon simply 'bamboo'
- All four companies had received warning letters in 201[^]



Naked Juice

- ▶ One of the big concerns raised in the lawsuit was that Naked products like Kale Blazer, Sea Greens, Protein Zone, Green Machine, and many others touted their vegetable or non-fruit ingredients even though the primary juice in all of these products is apple and/or orange juice
 - ▶ “Although Kale Blazer is predominantly orange juice, it is not named ‘orange juice with kale and apple juice,’ or ‘orange juice with kale and apple flavors,’ nor does the label predominantly show oranges and apples,” explains the complaint.
- ▶ 2017: Densico revises label





Powerful cleaning done naturally

Lawsuit Against Clorox Claims 'Green Works' Cleaners are Not 'Natural'

- ▶ The plaintiffs, New York and California residents, allege Clorox positioned the above products as naturally derived because “it knows consumers are more likely to purchase products bearing those labeling statements and pay a price premium for them.”
- ▶ From a reasonable consumer’s standpoint, the lawsuit argues, the advertising and labeling of the products is deceptive because they contain such synthetic, highly chemically processed ingredients as boric acid, calcium chloride, citric acid, and glycerin, among other components.

<https://richmanlawgroup.com/wp-content/uploads/2018/03/First-Amended-Complaint.pdf>

<https://www.leagle.com/decision/infeco20180207900>



Commercial
SOLUTIONS®

green
works®

99% naturally derived
compostable*
cleaning wipes

toallitas limpiadoras compostables*
con el 99% de derivados naturales

62 WET WIPES
7 x 7.5" (17.7 cm x 19.0 cm)

from the
makers of
Clorox®
products



Greenwashing Statistics

- ▶ Over 95% of retail products surveyed by TerraChoice committed at least of one of the TerraChoice “7 Sins of Greenwashing”
- ▶ 68% of people in the US think most companies overstate, or "greenwash," their environmental actions. Source Adecco USA Workplace (based on 2,281 adults)
- ▶ New study from UK and Netherlands Competition and Markets Authority shows that 40% of green claims made online could be misleading consumers.
- ▶ See examples of Greenwashing [HERE](#)

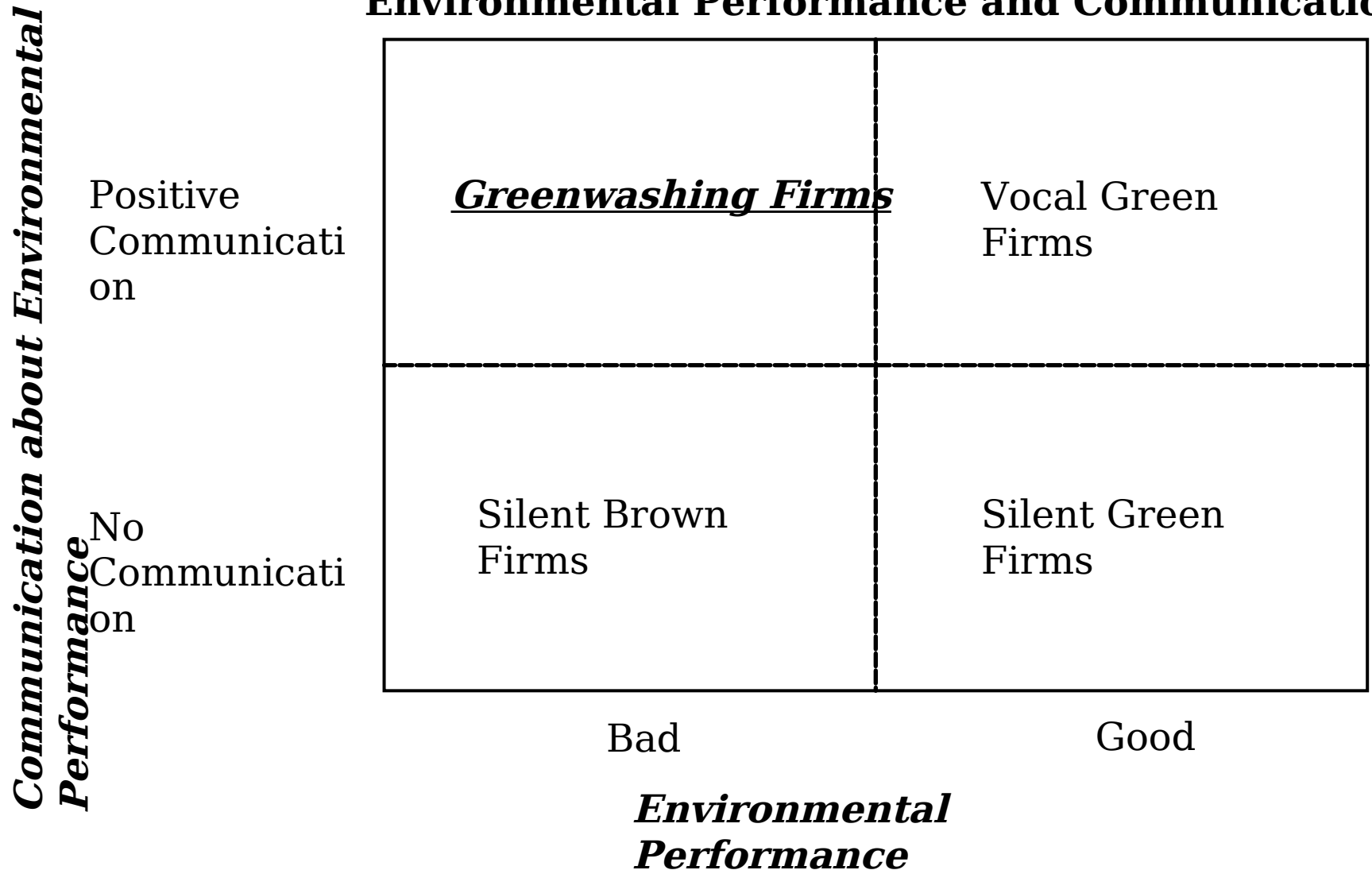
What Exactly is Greenwashing?

► ***Definitions of greenwashing:***

- “Making false or misleading claims regarding environmentally friendly products, services or practices”
 - Lane, 2010 and Tolliver-Negro, 2009
- “The act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service”
 - TerraChoice Group, Inc.
 - Refers to both product and company level greenwashing
- Intentional? Unintentional?

Greenwashing as a Combination of 2 Activities:

A Typology of Firms based on Environmental Performance and Communication



Greenwashing Examples: Product Level

► *Greenwashing can occur at the product level as well as at the company level*

Product Level Greenwashing Examples:

- **Lululemon**'s Vitasea product line, found not to contain seaweed as the product label claimed
- 10 of **LG Electronic**'s refrigerator models which had received Energy Star certification listed erroneous energy usage measurements on their labels
 - Did not meet the efficiency standard required for certification



Greenwashing Examples: Firm Level

- ▶ **General Electric's** “Ecolmagination” campaign highlights the work the company is doing in the environmental arena, but at the same time:
 - ▶ In 2000, GE went as far as the Supreme Court to fight the new clean air EPA requirements.
 - ▶ GE is still fighting an EPA-ordered clean up of the Hudson River where it dumped PCBs between 1940 to 1977.
- ▶ **BP's Beyond Petroleum Campaign**
 - ▶ Prior to the Gulf of Mexico oil spill, BP's less than green activities include:
 - Lobbying efforts to open restricted spaces such as the Arctic National Wildlife Refuge to drilling
 - Illegally dumping hazardous waste from the Endicott Island oil field between 1993 and 1995.
 - BP accounts for 2% of all global greenhouse gas emissions



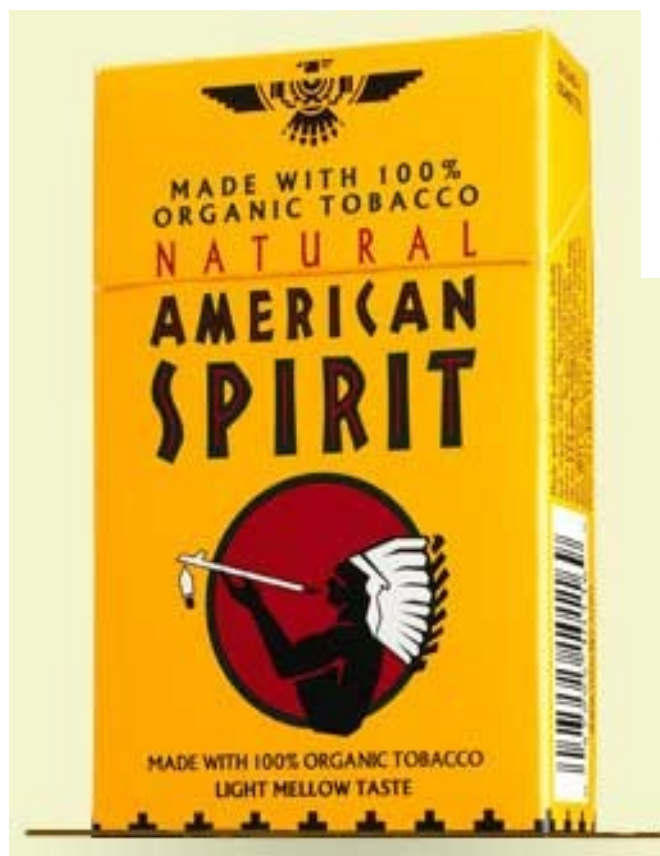
Recognizing Product Level Greenwashing:

TerraChoice 7 Sins of Greenwashing:

1. Sin of Hidden Tradeoff: 57%
 - What you say and what you don't say...unreasonable narrow set of attributes
 - Energy efficient office technology without attention to material content
2. Sin of No Proof: 25%
 - Cannot be substantiated by easily accessible information or third party
 - Toilet tissue claiming percentage of post-consumer recycled content
3. Sin of Worshipping False Labels: 23%
 - Gives the impression of third party certification but is not
 - Aluminum foil with certification-like images
4. Sin of Vagueness: 11%
 - Poorly defined claim
 - All natural: Arsenic, uranium, mercury, and formaldehyde are all naturally occurring, and poisonous.
5. Sin of Irrelevance: 4%
 - Environmental claim that is unimportant
 - Phosphate free for products that would not include phosphate anyway (fat free flour)
6. Sin of Lesser of Two Evils: 1%
 - Claim true within the product category but distract consumer from real env impact
 - Fuel efficient SUVs
7. Sin of Fibbing: <1%
 - False environmental claim

Group Activity: Match the TerraChoice Sins with Product Examples

In your groups, identify the product that exhibits each TerraChoice Sin of Greenwashing (see handout)



CFC-Free 172L Refrigerator



Tide Plant Based Clean



**Windex®
LG Electronic's
Energy Star Certified
Refrigerator**



BarkTalk
All-Natural
Dog Cake Mix
www.BarkTalk.com

**Sin of
Vagueness**

www.BarkTalk.com

MADE WITH 100%
ORGANIC TOBACCO
NATURAL
AMERICAN
SPIRIT
MADE WITH 100% ORGANIC TOBACCO
LIGHT MELLOW TASTE

**Sin of
Lesser of Two Evils**

Windex
Streak-Free Shine!
Greenlist™



**Sin of
Worshipping
False Labels**

**CFC-Free 172L
Refrigerator**

**Sin of
Irrelevance**



**Sin of
Hidden tradeoff**

Windex®
**LG Electronic's
Energy Star Certified
Refrigerator**



**Sin of
Fibbing**

Sin of Vagueness



Although the company promises to use recycled paper content in the future for the tubeless TP they are verging on greenwash by labeling this as part of their Scott *Naturals* line, in which other products use 40% recycled paper.



In response to broadscale consumer demand, Tyson Foods is now producing all of its Tyson® brand fresh chicken from birds "Raised Without Antibiotics."

No petro-chemicals, no parabens, no ethoxylates, no PEG's, no Chinese materials, no animal derivatives, no artificial colors, no added fragrance, hypo-allergenic, Cruelty-Free.

Serenity does not contain Chinese progesterone found in other creams. Manufactured under the highest Standards of purity and good manufacturing practices. 100% hypo-allergenic. Purity and potency guaranteed by HPLC analysis. Exceptionally high quality moisturizer.



Certified 100% Compostable Single-Serve Pods

“100% compostable” coffee pods took the guilt out of single serve.

But the capsules have only been certified by the Biodegradable Products Institute (BPI), an environmental advocacy group, to decompose at “industrial facilities” and not in the compost pile in your backyard.

Regulatory Environment: Federal

- ▶ *Product or service advertising regulation:*
 - ▶ The US Federal Trade Commission (FTC) is empowered to apply Section 5 of the FTC Act to environmental marketing claims
 - Prohibits unfair or deceptive acts or practices
 - ▶ If the FTC finds that an advertiser violated Section 5 it can:
 - Issue a cease and desist order to the violator
 - Issue the violator a fine of up to \$10,000 if the violator does not stop the practice
 - Establish criminal liability if the violation is committed with the intent to defraud or mislead.
 - ▶ The PR damage to a firm or consumer litigation suits it may spur may be more substantial than potential FTC penalties.

Regulatory Environment: Federal

The FTC has conducted some investigations related to false green advertising, but limited in number:

- ~100 environmental cases since 1992
 - See <https://www.ftc.gov/enforcement/cases-proceedings/advanced-search>
 - Example: <https://www.ftc.gov/news-events/press-releases/2019/09/truly-organic-ftc-says-no-alleges-retailer-misled-consumers-about>
- Examples of Recent Charges:
 - 2019: Truly Organic
 - 2019: The FTC sued Lights of America Inc., Usman Vakil, and Farooq Vakil for violating federal law by overstating the light output and life expectancy of their LED bulbs, and falsely comparing the brightness of their LED bulbs with that of other light bulbs.
 - 2018 4 paint manufacturers about No Voc paint
 - 2017: Volkswagen settles for cheating emission tests

Product Level Greenwashing as the Cause of False Advertising

Lawsuits

Product level greenwashing can result in false advertising lawsuits (sometimes resulting from competitor's inquiry into claims)

- Class action suit against S.C. Johnson & Son alleging that placing a proprietary "Greenlist" seal on its Windex window cleaning products misled consumers into believing that the products were independently certified by a third party while the Greenlist was actually an S.C. Johnson-conceived program.
- As part of the settlement, SC Johnson said it agreed not to use its current "Greenlist" logo on Windex products for one year.
- Class action against PepsiCo for health claims of Naked Juice products products.



- As part of a \$9 million settlement in 2013, the company agreed to stop calling them "all natural."

Consumer advocacy group the [Center for Science in the Public Interest](#) (CSPI) claims that statements like "no sugar added" and "only the best ingredients" lead customers to believe that Naked Juice is healthier than it really is.



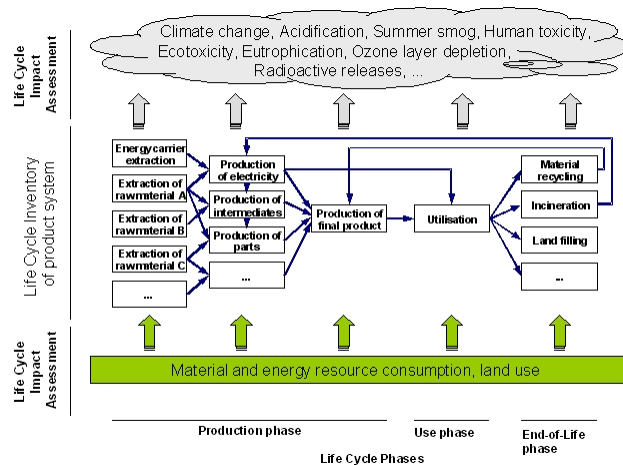
Why does greenwashing happen? Is greenwashing always intentional?

Managers cashing on the **ambiguity** surrounding how one defines a green product to sell more products

- Managers using the **ambiguity** of regulation
- Managers who have a poor understanding of green products and who genuinely believe that their products are green

Measure complex environmental performance

Simple marketing signal



Lost in translation?



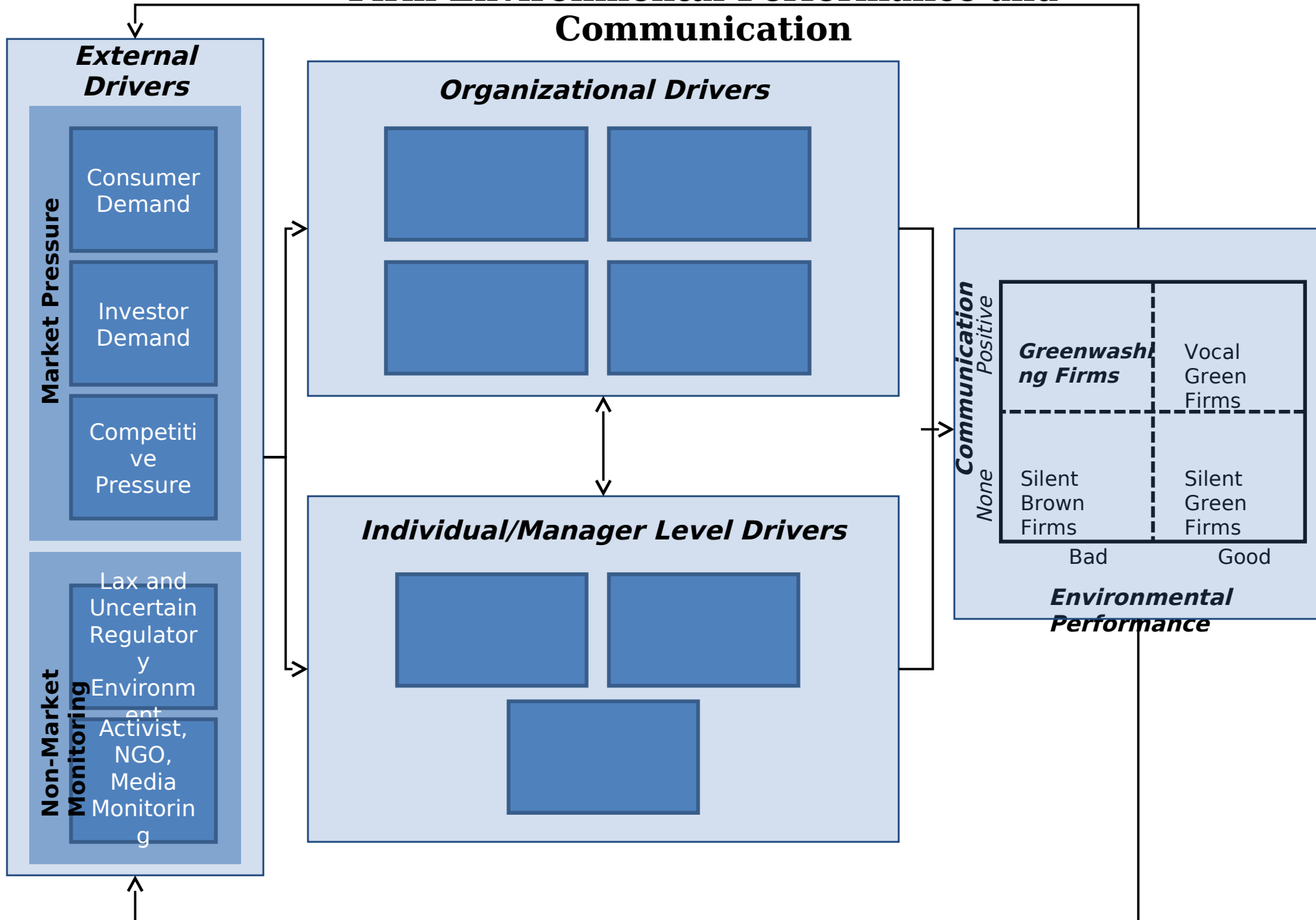
FIJI Water: The world's first carbon negative bottled water offsets 120% of emissions

"Defendants' carbon-negative claim is deceptive and misleading ... reasonable consumers of FIJI water understand Defendants' 'carbon-negative' claim as meaning that FIJI water's current operations remove more carbon from the atmosphere than they release into it," the lawsuit states. "This is simply not the case; in reality, FIJI water's operations do not remove more carbon from the atmosphere than they release into. Instead, they use a discredited carbon accounting method called 'forward crediting.'

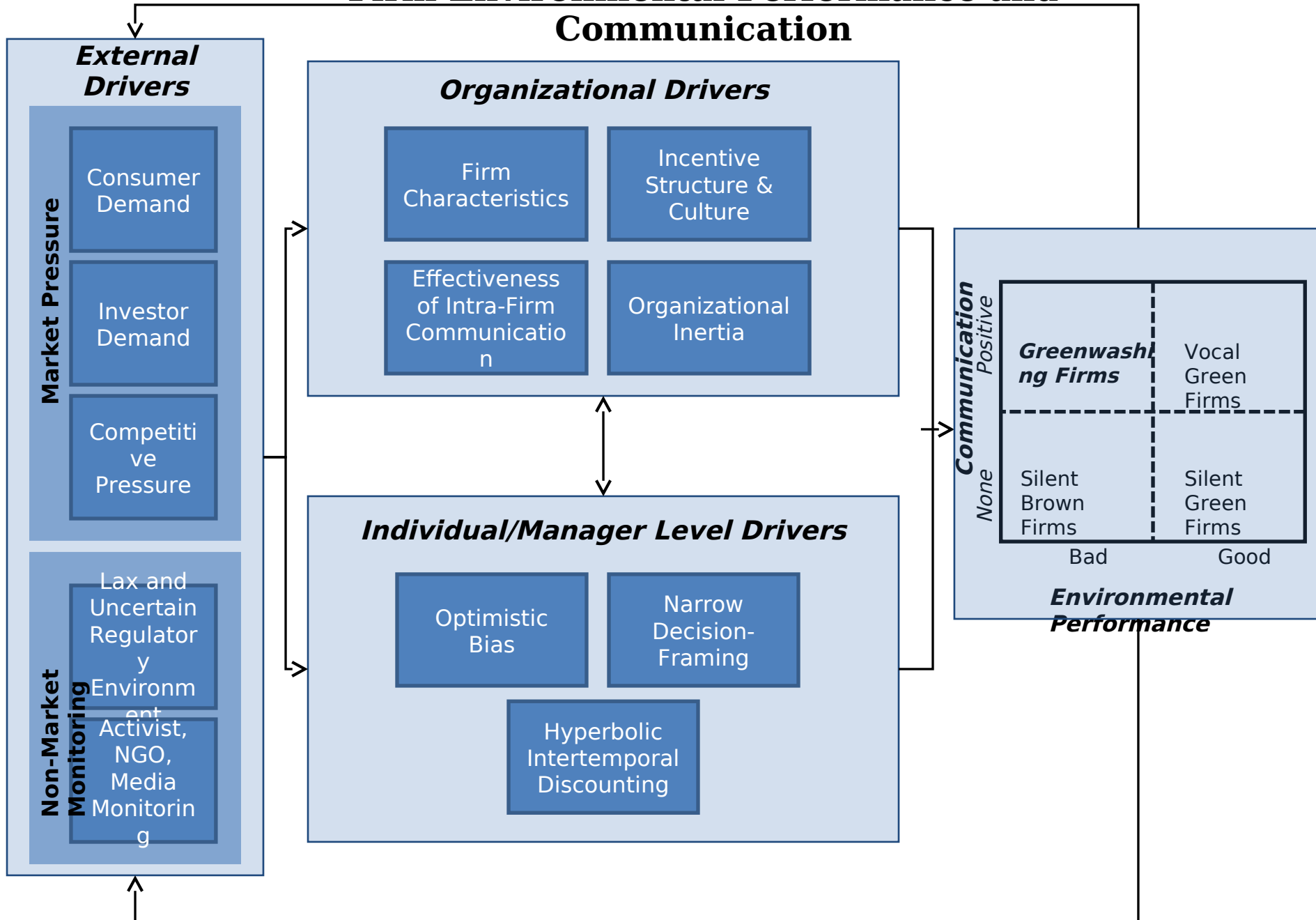


What are the
organizational and
individual drivers of
greenwashing?

Drivers of Firm Environmental Performance and Communication



Drivers of Firm Environmental Performance and Communication



Drivers of Greenwashing: Organizational

- **Effectiveness of intra-firm and supply chain communications**

- E.g., lack of effective communication between product development or packaging with a marketing or PR department, or lack of effective communication with suppliers (Lululemon)

- **Organizational inertia**

- Changing structural forms and procedures that underlie strategy is time consuming, difficult, costly and risky (Lululemon, Body Shop).

- **Incentives and culture**

- Perverse incentives can lead to unethical behavior (e.g., Eastern Airlines)
- Aggressive culture of earnings growth can be an obstacle to ethical behavior (e.g., Enron)

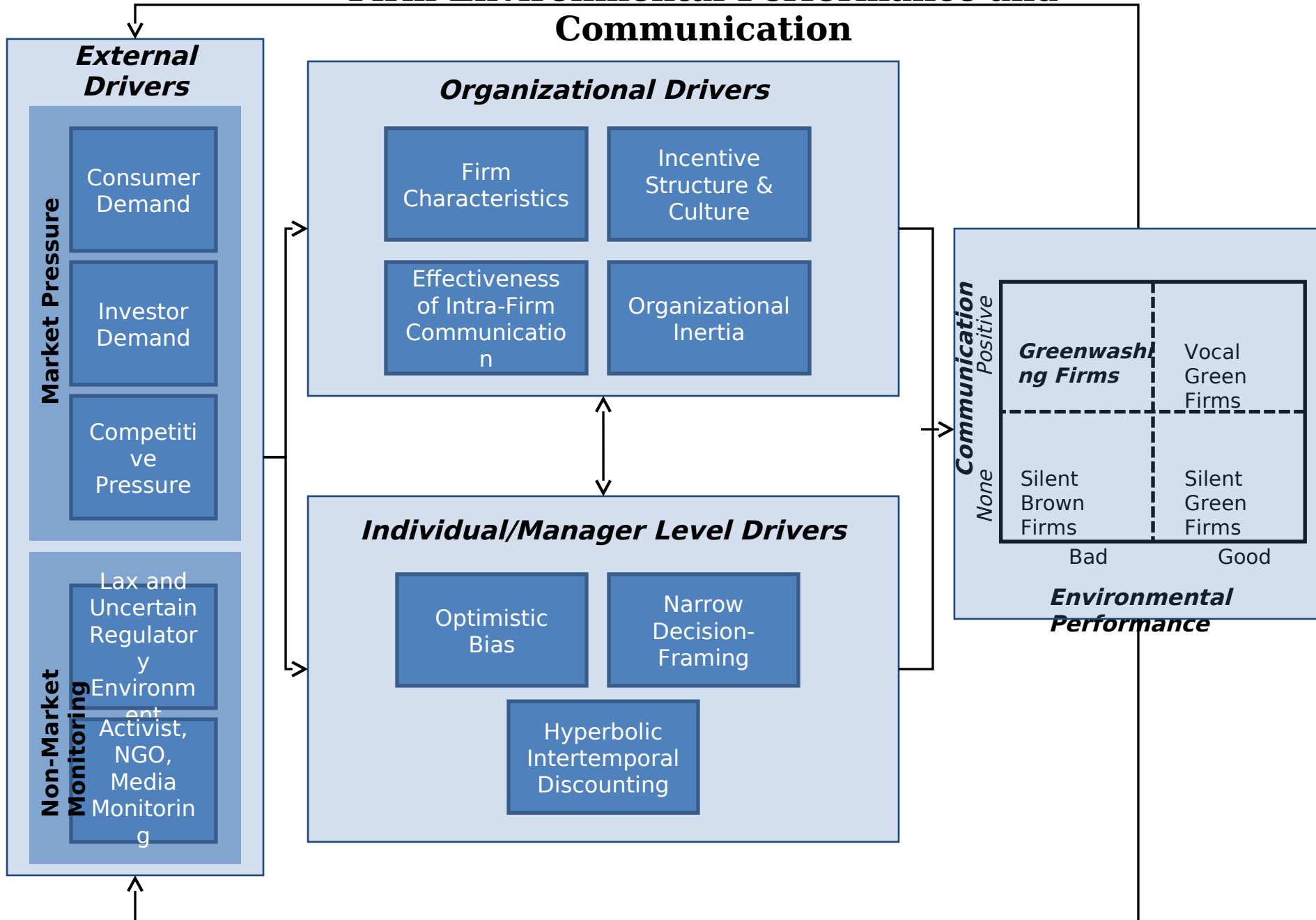
- **Firm characteristics**

- Characteristics such as the industry in which a firm competes, its size, profitability, lifecycle stage, particular resources and competencies influence costs and benefits associated with greenwashing (interaction effect)

Drivers of Greenwashing: Individual

- **Narrow Decision Framing:** making decisions in isolation, not based on the “big picture”
 - E.g., statistical fact that consumption does not adjust downward when people lose their job
 - Green marketing person might not be aware of other departments environmental impacts
- **Hyperbolic Intertemporal Discounting**
 - People exhibit high discount rates (impatient) over short horizons and low discount rates (patient) over long horizons, generating preference reversals
 - E.g., consumers may not achieve their desired level of “target savings” b/c short **run preferences for instantaneous gratification** undermine efforts to implement patient long run plans
 - Decision maker may chose to communicate about environmental sustainability with an intention to bear costs to implement this in the future, but when the future becomes today, decision-maker acts impatiently again and chooses to greenwash
- **Optimistic Bias:** tendency to over-estimate the likelihood of positive events and under-estimate likelihood of negative events
 - E.g., survey of new entrepreneurs
 - Decision maker may overestimate likelihood of positive results of greenwashing and underestimate likelihood of negative events

Drivers of Firm Environmental Performance and Communication



Implications for Managers: How to Avoid Company Level Greenwashing

• Increase TRANSPARENCY throughout organization

- Increase internal collaboration regarding environmental communication
 - e.g., create a sustainability department or officer to oversee environmental practices and environmental communication of the company
 - Include sustainability professionals and legal advisers to sign off on advertising campaigns
 - The substance of a green claim should be checked both internally with CSR or sustainability experts and externally
- Change the organizational culture
 - Align employee incentives
 - Provide ethical and greenwashing training for employees
 - Be cognizant of psychological tendencies when assessing costs and benefits of marketing products, practices, or a company as green or environmentally friendly
- Work with external stakeholders
 - Collaborate with industry, government and NGOs
 - Use third party objective endorsements or a recognized and respected eco-label